

MFG Global Equities

Strategy Update: 30 June 2013

Portfolio Manager Hamish Douglass	Total Global Equity Assets ¹ USD \$11,064.4 million
Inception date 1 July 2007	Composite Size ² USD \$9,448.5 million

USD Gross Performance²

	Composite %	Index % ³	Excess Return %
1 Month	-1.3	-2.5	1.2
3 Months	3.3	0.6	2.7
6 Months	15.3	8.4	6.9
1 Year	27.3	18.6	8.7
2 Years (p.a.)	21.2	6.1	15.1
3 Years (p.a.)	24.6	13.7	10.9
4 Years (p.a.)	23.6	12.8	10.8
5 Years (p.a.)	16.4	2.7	13.7
Since Inception (p.a.)	12.5	0.3	12.2
Since Inception	102.7	2.1	100.6

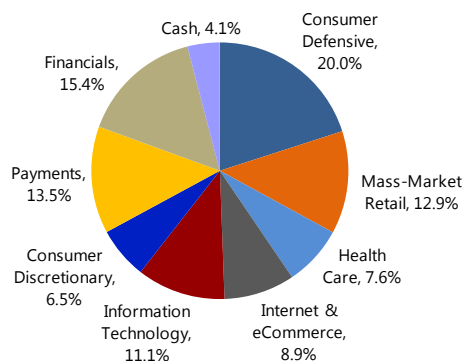
USD Gross Performance - Calendar Year

	Composite %	Index % ³	Excess Return %
2007 (part year)	0.0	-0.1	0.1
2008	-21.6	-40.7	19.1
2009	39.4	30.0	9.4
2010	18.3	11.8	6.5
2011	11.9	-5.5	17.4
2012	21.6	15.8	5.8
2013 (part year)	15.3	8.4	6.9

USD Risk Measures Since Inception²

Upside Capture	0.9
Downside Capture	0.5
Beta	0.7
Information Ratio (p.a.)	1.5
Tracking Error (p.a.)	8.2%
Worst Drawdown - Composite	-36.0%
Worst Drawdown - Index ³	-54.0%

Industry Exposure by Source of Revenues⁴



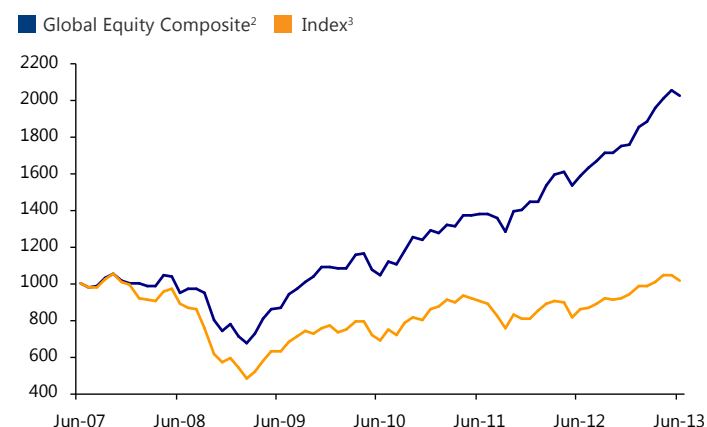
Strategy Fundamentals^{4,5}

	Strategy ⁴	Index ³
Number of Holdings	25	1,589
Return on Equity	22	15
P/E Ratio (1 year forward)	15	14
Interest Cover	19	11
Debt/Equity Ratio	18	47
Active Share	89	

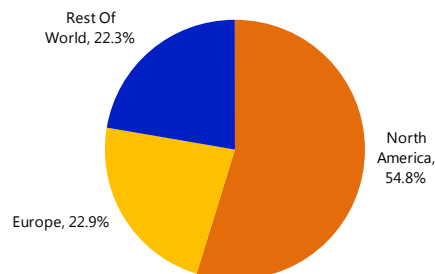
Top 10 Holdings⁴

	Sector	% of Strategy
Microsoft Corp	Information Technology	6.6
Google Inc	Information Technology	6.2
eBay Inc	Information Technology	5.4
Lowe's	Consumer Discretionary	5.3
Wells Fargo	Financials	4.8
Tesco Plc	Consumer Staples	4.7
American Express	Financials	4.6
Yum! Brands Inc	Consumer Discretionary	4.5
Oracle	Information Technology	4.5
Danone	Consumer Staples	4.4

Performance Chart Growth of USD \$1,000



Geographical Exposure by Source of Revenues⁴



¹ Comprised of all Global Equity strategies.

² Returns and risk measures are for the Global Equity Composite and denoted in USD. *Refer to the end of the document for further information.

³ Index: MSCI World Net TR Index (USD). Source: MSCI

⁴ The statistics and weightings presented relate to a representative income-distributing portfolio and are inclusive of 30 June annual distributions. Non-distributing portfolios may comprise lower cash weightings. ^Refer to the end of the document for further information on the representative portfolio..

⁵ Source: UBS Portfolio Analytics.

Market review for the quarter

During the June 2013 quarter, global markets were focussed on the implications of central bankers actions' globally, the inevitable unwinding of QE in the US, the three pronged "Abenomics" approach in Japan and a renewed focus on China's apparent tightening of short term liquidity and risks within its shadow banking system.

There continues to be encouraging signs that the US is undergoing a modest economic recovery. Importantly, house prices appear to have stabilised and housing starts are gradually normalising. We believe that there is unlikely to be a significant reduction in the unemployment rate in the short term until housing construction reverts to more normalised levels, which we consider will take another two or so years. When this occurs, the US economy should recover significantly.

We continue to believe that many European countries face a prolonged period of sub-par economic growth due to the combined effects of fiscal austerity by governments, deleveraging of bank balance sheets and household deleveraging. A major near-term risk for Europe would be a dramatic uplift in European sovereign bond yields (particularly in Spain or Italy) which could be triggered by a disorderly unwinding of QE in the US. This scenario would really test the resolve of the ECB and test the veracity of the OMT, where the ECB would intervene in the bond market of a troubled EU country in an unlimited way.

Strategy performance and activity for the quarter

As at 30 June 2013, the portfolio consisted of 25 investments, with the top ten holdings representing 51% of the portfolio. During the quarter, the strategy returned +3.3% gross of fees against the benchmark return of +0.6%, resulting in relative outperformance of +2.7%.

Over the quarter, the three stocks with the strongest returns in local currency were Microsoft (+21.6%), Wells Fargo (+12.4%) and American Express (+11.2%) while the three stocks with the weakest local currency returns were Tesco (-10.5%), Nestle (-6.9%) and eBay (-4.6%).

The significant changes to the portfolio during the quarter were the result of active portfolio management regarding relative valuation and opportunity cost. We sold the entire position of Mondelez which had appreciated materially since our investment subsequently reducing our margin of safety. We continued to increase the holding in Microsoft and purchased a new holding in Oracle. Both of these companies remain the dominant companies in their markets and have been priced by investors assuming that their earnings and dominant positions will soon rapidly erode. Whilst both companies have faced some near-term uncertainty, both companies have very strong futures, and their earnings are likely to be materially higher in five years.

The portfolio remains fully invested, reflective of our comfort with the current macroeconomic environment and subsequent view that it remains an attractive time to be investing in a select portfolio of extremely high quality multinational companies.

Outlook and Strategy

We remain focused on prudent portfolio construction with emphasis on the avoidance of aggregation of risk within the portfolio. We feel comfortable with the overall portfolio and believe it is likely to exhibit substantially less downside risk than the market in the event that global markets deteriorate materially.

Within the current macro environment we continue to see value in high quality companies exposed to certain investment themes. Our portfolio has material exposure to the following themes:

- Emerging market consumption growth via investments in multinational consumer franchises.
- The move to a cashless society. There continues to be a strong secular shift from spending via cash and cheque to cashless forms of payments, such as credit cards, debit cards, electronic funds transfer and mobile payments.
- Internet/e-commerce convergence. There are a number of internet enabled businesses that have very attractive investment characteristics with increasing competitive advantages.
- US housing Recovery. A recovery in new housing construction should drive a strong cyclical recovery in companies exposed to US housing and also provide a strong boost to the overall economy.
- US interest rates normalising over the next 3-5 years as the US economy recovers.



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Performance is compared to the MSCI World Net Total Return Index ('Index'). The Index is a free float adjusted market capitalisation weighted index that is designed to measure the equity market performance of developed markets. The Index measures the price performance of these markets with the income from constituent dividend payments after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

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The Global Equity composite is a concentrated global equity strategy investing in high quality companies. The investment objectives of the Global Equity strategy are to earn superior risk adjusted returns through the business cycle whilst minimising the risk of a permanent capital loss.

To achieve investment objectives, the composite may also use derivative financial instruments including, but not limited to, options, swaps, futures and forwards. Derivatives are subject to the risk of changes in the market price of the underlying securities instruments, and the risk of the loss due to changes in interest rates. The use of certain derivatives may have a leveraging effect, which may increase the volatility of the composite and may reduce its returns.

A list of composites and descriptions, as well as policies for valuing investments, calculating performance, and preparing compliant presentations are available upon request by emailing data@magellangroup.com.au

^ The representative portfolio is an account in the composite that closely reflects the portfolio management style of the strategy. Performance is not a consideration in the selection of the representative portfolio. The characteristics of the representative portfolio may differ from those of the composite and of the other accounts in the composite. Information regarding the representative portfolio and the other accounts in the composite is available upon request.

Industry and Geographical Exposures are calculated on a look through basis based on underlying revenue exposure of individual companies held within the portfolio.

